

ORDINANCE NUMBER 0-18556 (NEW SERIES)

ADOPTED ON AUG 03 1998

AN ORDINANCE PURSUANT TO SECTION 99 OF THE CHARTER OF THE CITY OF SAN DIEGO APPROVING THE FORM OF A FOURTH SUPPLEMENTAL INDENTURE AND APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A 1998-1 SUPPLEMENT TO THE MASTER INSTALLMENT PURCHASE AGREEMENT RELATING TO AN INSTALLMENT PURCHASE FINANCING AND APPROVING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

WHEREAS, the City of San Diego (the "City") and the Redevelopment Agency of the City of San Diego entered into a Joint Exercise of Powers Agreement establishing the Public Facilities Financing Authority of the City of San Diego (the "Authority"), a joint exercise of powers entity organized and existing under the laws of the State of California, for the purpose, among others, of having the Authority issue its bonds to be used to finance the acquisition, construction, installation and improvement of the City's wastewater system (the "Project"); and

WHEREAS, the City desires to acquire, construct, install and improve, or cause the acquisition, construction, installation and improvement of, the Project; and

WHEREAS, in order to effect such acquisition, construction, installation and improvement of the Project, the City and the Authority have entered into a Master Installment Purchase Agreement dated as of September 1, 1993 (the "Installment Purchase Agreement") and an Indenture (the "Indenture"), a 1993-1 Supplement to the Installment Purchase Agreement relating to the Authority's Sewer Revenue Bonds, Series 1993 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues) (the "1993 Bonds"), and a 1995-1 Supplement to the Installment Purchase Agreement relating to the Authority's Sewer Revenue

Bonds, Series 1995 (Payable Solely from Installment Payments Secured by Wastewater System Net Revenues) (the "1995 Bonds"), and a 1997-1 Supplement to the Master Installment Purchase Agreement relating to the Authority is Sewer Revenue Bonds, Series 1997-A and Series 1997-B (payable solely from Installment Payments secured by Wastewater System Net Revenues), pursuant to which the Authority has sold certain components of the Project to the City; and

WHEREAS, in order to effect the acquisition, construction, installation and improvement of additional components of the Project, it is proposed that the City and the Authority enter into a 1998-1 Supplement to the Master Installment Purchase Agreement (the "1998-1 Supplement"), pursuant to which the Authority will sell certain components of the Project to the City; and

WHEREAS, under the Installment Purchase Agreement and the 1998-1 Supplement, the City is obligated to make installment payments to the Authority for the purchase of certain components of the Project; and

WHEREAS, in order to provide for the authentication and delivery of the 1993 Bonds, the 1995 Bonds and any additional bonds (the 1993 Bonds, the 1995 Bonds and any additional bonds being collectively referred to herein as the "Bonds"), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the Authority and State Street Bank and Trust Company of California, N.A. (the "Trustee") entered into an Indenture, dated as of September 15, 1993, as supplemented by the First Supplemental Indenture, dated as of May 1, 1994, the Second Supplemental Indenture, dated as of December 1, 1995, and the Third Supplemental Indenture, dated as of February 1, 1997 (collectively, the "Prior Indentures"); and

WHEREAS, to provide funds for the purchase of certain components of the Project, and in order that such components may be sold to the City pursuant to the Installment Purchase

Agreement and the 1998-1 Supplement, the City desires to substitute a surety policy (the "Surety") for the debt service reserve fund (the "Reserve Fund") established pursuant to the Indenture; and

WHEREAS, in order to substitute the Surety, it is proposed that the Authority and the Trustee enter into a Fourth Supplemental Indenture (the "Fourth Supplemental Indenture"), amending and supplementing the Indenture (the Prior Indentures, as amended and supplemented by the Fourth Supplemental Indenture is referred to as the "Indenture"); and

WHEREAS, the City is authorized to undertake all of the above pursuant to its Charter and the Constitution and other applicable laws of the State of California, NOW, THEREFORE,

BE IT ORDAINED, by the Council of the City, as follows:

SECTION 1. The City Council hereby finds and determines that the statements set forth above in the recitals to this Ordinance are true and correct.

SECTION 2. The method of financing the acquisition, construction, installation and improvement of the additional components of the Project through the substitution of the Surety for the Reserve Fund, substantially in accordance with the Indenture, is hereby approved and specifically, the form of the Fourth Supplemental Indenture submitted to this meeting, a copy of which is on file in the Office of the City Clerk as Document No. 00-18556-1, is hereby approved. The City Manager of the City and his specified designees and each of them, are hereby authorized and directed, for and in the name of and on behalf of the City, to execute and deliver an agreement, in substantially the form presented to this meeting, to be bound by the provisions of the Indenture relating to the disbursement of moneys in the Acquisition Fund (as defined in the Indenture), and the City Clerk is authorized to attest thereto, with such additions and changes to such provisions of the Indenture as the City Manager shall approve as being in the best interests of

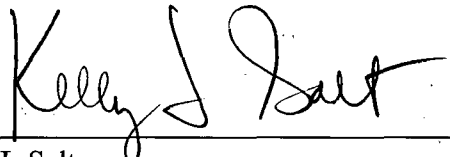
the City and as approved to form by the City Attorney or his specified designee, such approval to be conclusively evidenced by such officer's execution and delivery thereof.

SECTION 3. The form, terms and provisions of the 1998-1 Supplement by and between the City and the Authority, a copy of which is on file in the Office of the City Clerk as Document No. 00-18556-2, and submitted to this meeting, is hereby approved. The City Manager of the City and his specified designees, and each of them, are hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the 1998-1 Supplement in substantially the form submitted to this meeting, and the City Clerk is authorized to attest thereto, with such additions and changes therein as the City Manager shall approve as being in the best interests of the City, and as approved to form by the City Attorney or his specified designee, such approval to be conclusively evidenced by such officer's execution and delivery thereof.

SECTION 4. All actions theretofore taken by any official or officials of the City, with respect to acquiring the Surety, or in connection with or related to any of the agreements referenced herein or the financing of the Project are hereby approved, confirmed and ratified; and such other officials of the City as may be authorized by the City Manager are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful substitution of the Surety for the Revenue Fund and the disbursement of proceeds thereof in accordance with this Ordinance, and as approved to form by the City Attorney or his specified designee and with such other changes that may be required, such approval to be conclusively evidenced by such officer's execution and delivery thereof.

SECTION 5. This ordinance shall take effect and be in force on the thirtieth day from and after its passage.

APPROVED: CASEY GWINN, City Attorney

By 
Kelly J. Salt
Deputy City Attorney

KJS:pev

7/6/98

Or. Dept. Fin. & Tech. Svcs.

O-99-10

Form=O&T.Ord

FOURTH SUPPLEMENTAL INDENTURE

• between the

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

and

STATE STREET BANK AND TRUST COMPANY OF CALIFORNIA, N.A.,
as Trustee

Dated as of September 1, 1998

Supplementing the Indenture
dated as of September 1, 1993

FORM OF

DOCUMENT NO. 00-18556-1

FILED AUG 03 1998

OFFICE OF THE CITY CLERK
SAN DIEGO, CALIFORNIA

TABLE OF CONTENTS

	Page
ARTICLE I AUTHORITY	4
Section 1.01 Amendment.....	4
ARTICLE II AMENDMENTS TO INDENTURE	4
Section 2.01 Definitions.....	4
Section 2.02 Changes to Section 6.04 of Indenture	4
Section 2.03 Addition of Article IXA.....	5
ARTICLE III DEPOSIT OF CREDIT FACILITY; TRANSFER OF FUNDS	6
Section 3.01 Deposit of Credit Facility and Transfer of Funds Receipt.....	6
ARTICLE IV MISCELLANEOUS	6
Section 4.01 Effectiveness; Prior Indenture to Remain in Effect.	6
Section 4.02 Partial Invalidity.....	6
Section 4.03 Execution in Several Counterparts.....	7
Section 4.04 Law Governing	7

FOURTH SUPPLEMENTAL INDENTURE

FOURTH SUPPLEMENTAL INDENTURE, made and entered into as of September 1, 1998, by and between the Public Facilities Financing Authority of the City of San Diego, a California joint exercise of powers entity (the "Authority") and State Street Bank and Trust Company of California, N.A., a national banking association existing under and by virtue of the laws of the United States, as Trustee (the "Trustee"), amending and supplementing the Indenture, dated as of September 1, 1993, by and between the Authority and the Trustee (the "Original Indenture") as previously supplemented by that certain First Supplemental Indenture dated as of May 1, 1994 (the "First Supplemental Indenture"), that certain Second Supplemental Indenture dated as of December 1, 1995 (the "Second Supplemental Indenture") and that certain Third Supplemental Indenture dated as of February 1, 1997 (the "Third Supplemental Indenture" together with the Original Indenture, the First Supplemental Indenture and Second Supplemental Indenture, being herein called the "Indenture") (capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture).

WITNESSETH

WHEREAS the Authority was created to provide financial assistance to the City of San Diego (the "City");

WHEREAS the City desires to acquire, construct, install and improve its wastewater system all as more fully described in Exhibit A to the Installment Purchase Agreement (as defined below) and as modified in accordance with the provisions thereof (the "Project");

WHEREAS in order to effect such acquisition, construction, installation and improvement, the Authority has heretofore sold components of the Project to the City pursuant to a Master Installment Purchase Agreement, dated as of September 1, 1993, as supplemented by a 1993-1 Supplement dated as of September 1, 1993, a 1995-1 Supplement dated as of December 1, 1995, and a 1997-1 Supplement dated as of February 1, 1997 (the Installment Purchase Agreement, as amended);

WHEREAS to provide funds for the acquisition of a portion of the Project, the Authority has heretofore issued, pursuant to the Indenture, Revenue Bonds, Series 1993, Series 1995 and Series 1997 (in each payable solely from Installment Payments secured by Wastewater System Revenues) (collectively, the "Outstanding Bonds");

WHEREAS contemporaneous with the issuance of the Outstanding Bonds, proceeds thereof were deposited into the Reserve Fund so as to satisfy the Reserve Requirement;

WHEREAS pursuant to Section 6.04 of the Indenture, amounts required to be held in the Reserve Fund as the Reserve Requirement may be withdrawn, in whole or in part, upon the deposit of a Credit Facility with the Trustee in a stated amount equal to the amount so withdrawn, subject to the satisfaction of certain rating requirements;

WHEREAS the City wishes to cause all funds held in the Reserve Fund to meet the Reserve Requirement to be withdrawn and deposited in the Acquisition Fund, and to replace the amount so withdrawn by a Surety Bond issued by Ambac Assurance Corporation, formerly called AMBAC Indemnity Corporation, a Wisconsin-domiciled stock insurance company ("Ambac");

WHEREAS Ambac meets the rating requirements of Section 6.04 of the Indenture;

WHEREAS Ambac has requested certain amendments to the Indenture, and the requested amendments to the Indenture are permitted by law and do not adversely affect the interests of the Owners;

WHEREAS the Authority and the City desire to obtain the Surety Bond from Ambac;

WHEREAS A CROSS-REFERENCE IS THE definition of Credit Facility is erroneous and the correction of the same is not inconsistent with the Indenture and does not adversely affect the interests of the Owners;

WHEREAS all acts, conditions and things required by law to exist, to have happened or to have to been performed precedent to and in connection with the execution and entering into of this Fourth Supplemental Indenture do exist, have happened and have been performed in regular and in due time, form and manner as required by law, and the parties hereto are now fully authorized to execute and enter into this Fourth Supplemental Indenture;

NOW, THEREFORE in consideration of the foregoing premises, the acceptance by the Trustee of trusts originally created by the Indenture, and for other valuable consideration the receipt whereof is hereby acknowledged, is hereby agreed by and between the Authority and the Trustee as follows:

ARTICLE I

AUTHORITY

Section 1.01 Amendment. This Fourth Supplemental Indenture supplements and amends the Indenture and is entered into pursuant to Article X of the Indenture.

ARTICLE II

AMENDMENTS TO INDENTURE

Section 2.01 Definitions. (a) The following definitions are added to Section 1.01 of the Indenture:

"Ambac"

The term 'Ambac' means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance corporation."

"Surety Bond"

The term 'Surety Bond' means the Credit Facility issued by Ambac guaranteeing payments into the Reserve Fund as provided therein and subject to the limitations set forth therein."

(b) The definition of "Ambac" referred to in (a) above shall supersede and replace the defined term "AMBAC Indemnity" contained in the Indenture, which, hereby, shall be deleted from the Indenture. All references to "AMBAC Indemnity" in the Indenture shall be superseded and replaced by "Ambac."

(c) The definition of "Credit Facility" in the Indenture shall be amended by changing the number "6.03" to "6.04."

Section 2.02 Changes to Section 6.04 of Indenture. Section 6.04 of the Indenture is hereby amended by adding the following as new paragraphs following the present text thereof:

"To the extent that the Reserve Fund is comprised of both funds on deposits and a Credit Facility, withdrawals from the Reserve Fund shall be made first from funds on deposit and then from the Credit Facility. To the extent that the Reserve Fund is replenished by the City, the amount so replenished shall be credited first to funds on deposit in the Reserve Fund and then to any Credit Facility. To the extent that replenishment funds are credited to the Credit Facility, the Trustee shall pay the same to the provider of the Credit Facility in lieu of retaining such funds in the Reserve Fund, conditioned upon reinstatement of the Credit Facility for the amount so paid.

In the event the provider of a Credit Facility makes payments to the Trustee as part of the Reserve Requirement, the provider shall become subrogated to the rights of the recipients of such payments, but such right of subrogation shall be subordinate to the rights of the provider of any policy of municipal bond insurance which as been drawn upon for payment of principal or interest on Bonds."

Section 2.03 Addition of Article IXA. The following is added as Article IXA of the Indenture:

"ARTICLE IXA**PROVISIONS RELATING AMBAC**

SECTION 9A.01. Notifications to Ambac. (a) In the event and to the extent that moneys on deposit in the Payment Fund are insufficient to pay the amount of principal and interest on Bonds, then upon the later of (i) one (1) day after receipt by the General Counsel of Ambac of a demand for payment in the form attached to the Surety Bond as Attachment I (the "Demand for Payment"), duly executed by the Trustee certifying that payment due under the Installment Purchase Agreement has not been made to the Trustee; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Trustee to the General Counsel of Ambac, Ambac will make a deposit of funds in an account with the Trustee, or its successor, sufficient for the

payment to the Trustee of amounts which are then due to the Trustee under the Indenture (as specified in the Demand for Payment) up to but not in excess of the lesser of the Reserve Requirement or the Surety Bond Coverage, as defined in the Surety Bond; provided, however, that in the event that the amount on deposit in, or credited to, the Reserve Fund, in addition to the amount available under the Surety Bond, including funds in the Reserve Fund ("Funds"), amounts available under a letter of credit, insurance policy, surety bond or other such funding instrument (the "Additional Funding Instrument"), or both Funds and Additional Funding Instruments, the first source of funding shall be any Available Funds, followed by draws on the Surety Bond and the Additional Funding Instruments, which shall be made on a pro rata basis to fund the balance.

(b) The Trustee shall, after submitting to Ambac the Demand for Payment as provided in (a) above, make available to Ambac all records relating to the Funds and Accounts maintained hereunder. The Trustee shall upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Reserve Fund to the extent of moneys received pursuant to such Demand.

(c) Notwithstanding any other provision of this Indenture, the Trustee shall promptly notify Ambac if at any time there are insufficient monies to make the full amount of any interest or principal payment due and payable on the Bonds in less than 5 days after such notice to Ambac, and shall promptly notify Ambac of the occurrence of an Event of Default of which the Trustee has knowledge.

SECTION 9A.02. Consent of Ambac. (a) Any provision of this Indenture expressly recognizing or granting rights in or to Ambac may not be amended in any manner which adversely affects the rights of Ambac hereunder without the prior written consent of Ambac.

(b) In addition, unless otherwise provided in this Section, Ambac's consent, which shall not be unreasonably withheld, shall be required in addition to Bondholder consent, when required, for the following purposes, but only if the consent of any issuer of a municipal bond insurance policy on any Bonds now or hereafter Outstanding is not required: (i) execution and delivery of any supplemental Indenture or any amendment, supplement or change to or modification of the Installment Purchase Agreement; (ii) removal of the Trustee or selection and appointment of any successor trustee; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent."

ARTICLE III

DEPOSIT OF CREDIT FACILITY; TRANSFER OF FUNDS

Section 3.01 Deposit of Credit Facility and Transfer of Funds Receipt. The Trustee hereby acknowledges receipt of a Surety Bond from Ambac in an amount equal to the Reserve Requirement. The Trustee shall transfer from the Reserve Fund to the Acquisition Fund, funds in an amount equal to the Reserve Requirement, which funds shall thereafter be disbursed in

accordance with Section 5.03 of the Indenture. Any remaining funds in the Reserve Fund shall be transferred to the Interest Account of the Payment Fund.

ARTICLE IV

MISCELLANEOUS

Section 4.01 Effectiveness; Prior Indenture to Remain in Effect. (a) This Fourth Supplemental Indenture shall become effective upon the execution hereof by the Trustee and the Authority. Except as expressly provided in this Fourth Supplemental Indenture, every term and condition contained in the Indenture shall apply to this Fourth Supplemental Indenture with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Fourth Supplemental Indenture.

(b) This Fourth Supplemental Indenture and all of the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms and provisions had been set forth in the Indenture. The Indenture is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented hereby.

Section 4.02 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of any of the Bonds, and the Owners shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered this Fourth Supplemental Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 4.03 Execution in Several Counterparts. This Fourth Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 4.04 Law Governing. This Fourth Supplemental Indenture shall be governed exclusively by the provisions hereof and by the laws of the State of California as the same from time to time exist.

IN WITNESS WHEREOF, the **PUBLIC FACILITIES FINANCING**
AUTHORITY OF THE CITY OF SAN DIEGO has caused this Fourth Supplemental Indenture
to be signed in its name by its Chairman and attested by its Secretary/Treasurer and **STATE**
STREET BANK AND TRUST COMPANY OF CALIFORNIA, N.A., in token of its acceptance
of the trusts created hereunder, has caused this Fourth Supplemental Indenture to be signed by
one of the officers thereunder duly authorized, all as of the day and year first above written.

PUBLIC FACILITIES FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____
Chairman

ATTEST:

Secretary/Treasurer

STATE STREET BANK AND TRUST
COMPANY OF CALIFORNIA, N.A.,
as Trustee

By _____
Authorized Officer

Agreements By The City

The CITY OF SAN DIEGO hereby agrees to the provisions of Section 3.01 of the foregoing Fourth Supplemental Indenture dated as of September 1, 1998, by and between its Authority, or therein defined and the Trustee, as therein defined, with respect to acceptance by the Trustee of the Surety Bond in the amount of the Reserve Requirement and the transfer of moneys in the Reserve Fund to the Acquisition Fund, and the Interest Account of the Payment Fund, all as provided therein.

CITY OF SAN DIEGO

By _____
City Manager

(SEAL)

ATTEST:

City Clerk

1998-1 SUPPLEMENT DATED AS OF SEPTEMBER 1, 1998
TO MASTER INSTALLMENT PURCHASE AGREEMENT
DATED AS OF SEPTEMBER 1, 1993, BY AND BETWEEN
THE CITY OF SAN DIEGO AND THE PUBLIC
FACILITIES FINANCING AUTHORITY OF THE
CITY OF SAN DIEGO

This 1998-1 SUPPLEMENT made and entered into as of September 1, 1998, by and between the Public Facilities Financing Authority of the City of San Diego, a California joint exercise of powers entity (the "Authority") and the City of San Diego (the "City"), amending and supplementing the Master Installment Purchase Agreement dated as of September 1, 1993 by and between the City and the Authority (the Master Installment Purchase Agreement, as previously supplemented by a 1993-1 Supplement dated as of September 1, 1993, a 1995-1 Supplement dated as of December 1, 1995 and a 1997-1 Supplement dated as of February 1, 1997 (the "1997 Supplement") being herein called the "Installment Purchase Agreement") (capitalized terms not otherwise defined herein shall have the meanings set forth in the Installment Purchase Agreement or the Indenture, as hereinafter defined).

WITNESSETH

WHEREAS, the Authority was created to provide financial assistance to the City;

WHEREAS, the City desires to acquire, construct, install and improve its wastewater system more fully described in Exhibit A to the Installment Purchase Agreement and as modified in accordance with the provisions thereof (the "project");

WHEREAS, in order to affect such acquisition, construction, installation and improvement, the Authority has heretofore sold components of the Project to the City pursuant to the Installment Purchase Agreement;

WHEREAS, to provide funds for the acquisition of a portion of the Project, the Authority has heretofore issued, pursuant to the Indenture, Revenue Bonds, Series 1993, Series 1995 and Series 1997 (in each case payable solely from Installment Payments secured by Wastewater System Revenues) (collectively, the "Outstanding Bonds") pursuant to an Indenture dated as of September 1, 1993 (the "Original Indenture"), by and between the Authority and State Street Bank and Trust Company of California, N.A., a national banking association existing under and by virtue of the laws of the United States as trustee (the "Trustee"), as amended by that certain First Supplemental Indenture dated as of May 1, 1994 (the "First Supplemental Indenture"), that certain Second Supplemental Indenture dated as of December 1, 1995 (the "Second Supplemental Indenture"), that certain Third Supplemental Indenture dated as of February 1, 1997 (the "Third Supplemental Indenture"), and that certain Fourth Supplemental Indenture

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FORM OF

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SAN DIEGO, CALIFORNIA

0-18556

dated as of July 1, 1998 (the "Fourth Supplemental Indenture," together with the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture and the Fourth Supplemental Indenture being herein called the "Indenture");

WHEREAS, contemporaneous with the issuance of the Outstanding Bonds, proceeds thereof were deposited into the Reserve Fund so as to satisfy the Reserve Requirement;

WHEREAS, pursuant to Section 6.04 of the Indenture, amounts required to be held in the Reserve Fund as the Reserve Requirement may be withdrawn, in whole or in part, upon the deposit of a Credit Facility with the Trustee in a stated amount equal to the amount so withdrawn, subject to the satisfaction of certain rating requirements;

WHEREAS, the City wishes to cause all funds held in the Reserve Fund to meet the Reserve Requirement to be withdrawn and deposited in the Acquisition Fund, and to replace the amount so withdrawn by a Surety Bond issued by Ambac Assurance Corporation, formerly named "Ambac Indemnity Corporation," a Wisconsin-domiciled stock insurance company ("Ambac");

WHEREAS, Ambac meets the rating requirements of Section 6.04 of the Indenture;

WHEREAS, Ambac has requested certain amendments to the Installment Purchase Agreement, and the requested amendments are permitted by law and do not adversely affect the interests of the Owners;

WHEREAS, the Authority and the City desire to obtain the Surety Bond from Ambac;

WHEREAS, all acts, conditions and things required by law to exist, to have happened or to have been performed precedent to and in connection with the execution and entering into of this 1998-1 Supplement do exist, have happened and have been performed in regular and in due time, form and manner as required by law, and the parties hereto are now fully authorized to execute and enter into this 1998-1 Supplement;

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I**AUTHORITY**

Section 1.01 Amendment. This 1998-1 Supplement supplements and amends the Installment Purchase Agreement and is entered into pursuant to Section 10.03 of the Installment Purchase Agreement.

ARTICLE II**Amendments to Installment Purchase Agreement**

Section 2.01 Definitions. The following definitions are added to Section 1.01 of the Installment Purchase Agreement:

Default Rate

The term "Default Rate" means the Maximum Rate.

Indenture

The term "Indenture" shall mean, on that certain Indenture between the Authority and State Street Bank and Trust Company of California, N.A. dated as of September 1, 1993, as the same may be amended or supplemented from time to time

Section 2.02 Additions to Section 4.01 of the Installment Purchase Agreement.

(a) The following shall be added as a new sentence at the end of Section 4.01(b) of the Installment Purchase Agreement:

"In the event the principal amount of an Installment Payment is not paid by the date the same is due and payable as specified in such Supplement, the same shall bear interest at the Default Rate, commencing on the day the same is due, to, but not including, the payment date."

(b) The following shall be added as a new sentence at the end of Section 4.01(c) of the Installment Purchase Agreement:

"In the event that interest is not paid by the date such interest is payable, to the extent permitted by applicable law, such interest shall thereafter bear interest at the Default Rate, commencing on the day the same is due, to, but not including, the payment date."

Section 2.03 Amendment to Section 5.02 of the Installment Purchase Agreement. Section 5.02(b) of the Installment Purchase Agreement shall be amended by adding the following as the second sentence:

"Notwithstanding the use of a Credit Facility, as defined in the Indenture, in lieu of depositing funds in the Reserve Fund, as defined in the Indenture, in the event of any draw on the Credit Facility, there shall be deemed a deficiency in the Reserve Fund and any Reserve Account until the amount of the Credit Facility is restored to its pre-draw amount."

ARTICLE III Provisions Relating to Ambac

Section 3.01 Consent of Ambac. No provision in the Installment Purchase Agreement, as amended from time to time, which expressly recognizes or grants rights in or to Ambac may be amended in any manner which adversely affects the rights of Ambac hereunder or thereunder, without the prior written consent of Ambac.

Section 3.02 Access to Information. So long as the Surety Bond is in effect, the City shall furnish to Ambac a copy of the financial statements described in Section 6.12(b)(1) of the Installment Purchase Agreement, within the time period provided therein, and a copy of any notice given to Owners by the City and, to the extent that an Event of Default under the Installment Purchase Agreement has occurred and is continuing, such additional information as Ambac shall reasonably request. During the continuance of any such Event of Default, the City will permit Ambac to discuss the affairs, finances and accounts of the City with appropriate officers of the City and will permit Ambac to have access to the Project and will cause the Trustee to make copies of all books and records relating to the Bonds upon payment of the reasonable expenses of the Trustee therefor. The City will also provide to Ambac copies of financial statements, annual reports and event reports relating to the Bonds as and when provided under the Continuing Disclosure Agreements entered into by the City pursuant to Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934.

ARTICLE IV Financing Of Project Components

Section 4.01 Use of Funds Being Transferred From Reserve Fund. As provided in the Fourth Supplemental Indenture, Ambac is depositing a Surety Bond with the Trustee in an amount equal to the Reserve Requirement, and the Trustee is transferring from the Reserve Fund to the Acquisition Fund, funds in an amount equal to the Reserve Requirement, which funds are to be disbursed in accordance with Section 5.03 of the Indenture for components of the Project. Section 3.01 of the Installment Purchase Agreement provides that the Authority will not undertake to cause any component of the Project to be constructed, acquired or installed unless until the City and the Authority have entered into a supplement specifying the components of the Project to be installed, the date of completion, the purchase price to be paid for that component, among other things. Accordingly, the Authority and City agree that the components of the Project to be funded from funds being transferred from the Reserve Fund to the Acquisition Fund shall consist of those as described in Exhibit A to the 1997 Supplement.

IN WITNESS WHEREOF, this 1998-1 Supplement has been executed by the City and the Authority as of the year and date first above written.

CITY OF SAN DIEGO

By _____
City Manager

(SEAL)

ATTEST:

City Clerk

PUBLIC FACILITY FINANCING AUTHORITY
OF THE CITY OF SAN DIEGO

By _____

ATTEST:

Approved As To Form

CITY ATTORNEY OF THE
CITY OF SAN DIEGO

By: _____
[Title]